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**Subject: SA.62788 (2021/EV) – RRF Germany
Evaluation plan for the block-exempted specialist program "New
Vehicle and System Technologies" (NFST)**

Excellency,

1. PROCEDURE

- (1) On 20 April 2021, Germany submitted summary information pursuant to Article 11(a) of the Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union¹ (hereinafter "GBER") on a Research and Development (R&D) scheme for the vehicle industry ("*Förderung von Forschungs- und Entwicklungsprojekten im Rahmen des BMWi-Programms Fachprogramm „Neue Fahrzeug- und Systemarchitekturen“ (NFST)*"), registered under SA.62747 (2021/X). The scheme allows granting R&D aid for industrial research and experimental development projects and feasibility studies. It was put into effect with reference to Article 25 GBER, at present for the remaining period of validity of the GBER. The measure expires on 31 December 2024, subject to a prolongation of the current GBER unless the conditions of the prolonged block exemption regulation would not be met (any longer) and subject to the approval of the notified evaluation plan.

¹ OJ L 187, 26.6.2014, p. 1.

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- (2) As the German authorities considered that the exempted measure, with an estimated annual average budget of EUR 170 million, constitutes a large scheme in the meaning of Article 1(2)(a) of the GBER, they notified on 26 April 2021 an evaluation plan, registered by the Commission as SA.62788 (2021/EV). On 1 July 2021, the Commission provided feedback and comments on the notified evaluation plan. In addition, a telephone conference between the German authorities and the Commission services took place on 8 July 2021. As agreed in this call, German authorities revised the plan and submitted the final version of the evaluation plan on 2 August 2021.

2. DETAILED DESCRIPTION OF THE KEY ELEMENTS OF THE NOTIFIED EVALUATION PLAN

- (3) As required by Article 2(16) of the GBER and in line with best practices², the evaluation plan is to contain the description of the following main elements: (i) the objectives of the aid scheme to be evaluated, (ii) the evaluation questions, (iii) the result indicators, (iv) the envisaged methodology to conduct the evaluation, (v) the data collection requirements, (vi) the proposed timing of the evaluation (including the date for submission of the final evaluation report), (vii) the approach for the selection of the independent body conducting the evaluation, and (viii) the modalities for ensuring the publicity of the evaluation.

2.1. Objectives of the aid scheme specialist program "New Vehicle and System Technologies" (NFST) to be evaluated

- (4) Since 2015³, the funding scheme for the NFST specialist programme has been the instrument used by the Federal Ministry for Economic Affairs and Energy (BMWi) to support application-oriented research and development projects (collaborative R&D projects) belonging to the pillars of 'automated driving' and 'innovative vehicles' in the early development phase so as to promote innovation in these fields of the vehicle industry.
- (5) The scheme will partially be financed by the Recovery and Resilience Fund (RRF) and its main target group of the NFST are commercial companies in the vehicle industry, especially small and medium-sized enterprises (SMEs). The vehicle industry is understood as comprising all vehicles used in land transport, especially automobiles (cars and trucks), other commercial vehicles, and rolling stock. Other stakeholders, such as higher-education institutes, research institutions, or federal, regional, or local authorities, can also receive funding if they are involved in a collaborative research project and if the funding is conducive to collective progress towards the intended objective.
- (6) At the beneficiary level, the following outcomes are expected:
- Reinforcing innovative strength of companies and facilitating marketable innovations;

² Commission Staff Working Document on Common methodology for State aid evaluation, Brussels, 28.5.2014, SWD(2014) 179 final.

³ SA.42301 (2015/X), Neue Fahrzeug- und Systemtechnologien, information sheet published on 25 January 2016..

- Strengthening companies' technological leadership;
 - Transferring research outcomes into stakeholders' own internal process; and
 - Networking between companies and between business and science.
- (7) Objectives to be achieved by the aid recipients are:
- Strengthened industrial sector, especially SMEs;
 - Technology developments in the fields of automated driving, innovative vehicle concepts, and systems technologies;
 - Contributions to standardisation;
 - Greater networking between stakeholders.
- (8) The intended associated long-term effects and impacts are the following:
- Enhanced competitiveness;
 - Growth of companies in the vehicle industry;
 - Contribution to the fight against the repercussions of the COVID-19 crisis; and
 - Contribution to Germany's National Sustainable Development Strategy.
- (9) The aid scheme provides support in the form of grants for research and development projects and feasibility studies of undertakings of all sizes. To be eligible, costs must be allocated to one of these categories of research and development and fall under the following categories:
- Personnel costs, Researchers, technicians and other supporting staff to the extent employed on the project;
 - Costs of instruments and equipment to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the depreciation costs corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible;
 - Costs for of buildings and land, to the extent and for the duration period used for the project. With regard to buildings, only the depreciation costs corresponding to the life of the project, as calculated on the basis of good accounting practice are considered as eligible. For land, costs of commercial transfer or actually incurred capital costs are eligible;
 - Costs of contractual research, knowledge and patents bought or licensed from outside sources at arm's length conditions, as well as costs of consultancy and equivalent services used exclusively for the project;
 - additional overheads and other operating expenses, including costs of materials, supplies and similar products, incurred directly as a result of the project;
 - The eligible costs for feasibility studies shall be the costs of the study.

- (10) Individual aid under the scheme is granted with an aid intensity of 50% of the eligible costs for industrial research, 25% of the eligible costs for experimental development and 50% of the eligible cost for feasibility studies. In 2021, aid intensities for SMEs can be increased to up to 80% by means of aid intensity bonuses that are in conformity with the GBER. The overall aid amount granted for one R&D project per undertaking shall not exceed EUR 15 million.
- (11) The granting procedure follows a two-step approach.
- First stage: Submission and selection of project outlines whereby project outlines can be submitted at any time within the framework of this scheme. These are submitted to the scheme promoting agency on the deadlines of 31 March, 30 June, 30 September and 31 December.
 - Second stage: Submission of formal applications for funding and decision-making procedure: In the second stage of the procedure, interested parties with positively evaluated project outlines are invited (in the case of collaborative projects, in consultation with the planned collaborative coordinator) to submit a formal application for funding, on which a decision is made after final review. If the available budget funds are not sufficient to fund all positively evaluated projects, the funding applications will compete with each other.
- (12) Using the following criteria, priorities are set, if necessary with the involvement of external experts:
- Programme relevance, research relevance and macroeconomic significance;
 - Innovation content of the proposed solution in relation to the state of the art in science and technology; differentiation from other funding activities;
 - Description of the technical or economic risks associated with the implementation of the project;
 - Scientific and economic prospects of success of the project or its subprojects (e.g. chances of market penetration, transferability of results);
 - Application-oriented validation and practical demonstration of the results
 - Exploitation concept;
 - Coherence, appropriateness and efficiency of work and project planning;
 - Efficient and manageable project organisation;
 - Monitoring of the project's achievement of objectives at the network level;
 - Participation of SMEs.

2.2. Evaluation questions and result indicators

- (13) The notified evaluation plan identifies the issues to be addressed by the evaluation.
- (14) The evaluation questions address both the incentive effect of the aid on the beneficiaries and the scheme's indirect effects (in terms of both positive and

negative externalities). The result indicators are linked to the evaluation questions and to the objectives of the scheme.

- (15) The direct effects of the aid on the beneficiaries will be addressed by evaluation questions investigating, among others, whether the aid has caused the beneficiary to make (additional) R&D investments, and how significant was the impact of the aid on the investment behaviour. The analysis will assess whether the effects differ for companies of different sizes.
- (16) The indirect effects of the aid scheme will be assessed by studying, among others, the spillover effects for undertakings in other sectors, similar technology fields or of the same value chain; whether and which negative indirect effects (if any) have occurred; whether and if the funding has encouraged greater networking between businesses and helped building skills and know-how within the companies; and the appropriateness and proportionality of the scheme.
- (17) With regard to the evaluation questions on the direct effects, the following result indicators will be used, among others: innovation indicators (new products and services, new processes); R&D expenditure; distribution of R&D expenditure for companies of different sizes; R&D staff; patent applications and other IPRs such as commercially valuable trade secrets.
- (18) With regard to the evaluation questions on the indirect effects, amongst others, the following result indicators will be used: types of cooperation; initialisation and consolidation of R&D cooperation; productivity trends; displacement of activity.

2.3. Envisaged methodology to conduct the evaluation

- (19) The direct effects of the aid scheme on the beneficiaries are to be identified by employing econometric methods, in particular a regression analysis of the type "Matching – Difference-in-Differences" (M-DID), as described in the Commission Staff Working Document on Common methodology for State aid evaluation⁴.
- (20) The *Difference-in-Differences* strategy is the one that, exploiting the longitudinal nature of the data available, is considered more robust to the presence of unobservable differences between firms benefitting from aid under the evaluated aid scheme, and firms belonging to a control group, provided that these differences remain constant over time (parallel trend assumption).
- (21) In order to assure the necessary rigour, the evaluation will base the construction of the control group on a wide set of structural and behavioural variables, depending on data availability and quality, and which should include: Level of capital investment, Level of R&D activity, Employment, Labour productivity, Sales and/or profit, Investment and R&D expenditure pre-intervention.
- (22) As a first check, the evaluation will compare the variations of outcomes of the beneficiaries and the control group before the aid. If the outcomes systematically start diverging already before the aid has actually been granted, it is likely that the control group and the group of the beneficiaries are diverging for reasons

⁴ See footnote 2

unrelated to the aid and the method does not give a valid estimate of the causal effect of the aid. In this case, the evaluation shall assess the usefulness of further control groups, like companies from other sectors or companies from the automotive sector in another country (in case no similar scheme is in place).

- (23) As a complement, and in case the required quality of future micro-data is not available, the evaluation plan foresees the usage of workshops (also to be used to involve stakeholders), case studies, survey and interviews (with beneficiaries and non-beneficiaries), in order to have a general understanding of reasons why the causal relation inferred by the quantitative analysis took place and to qualitatively estimate the impacts. In any case, sensitivity analysis will be used to examine the quality of the results of the methods used.

2.4. Data collection requirements

- (24) For the purposes of the evaluation, the German authorities will rely mostly on two databases: the Mannheim Innovation Panel (MIP) run by the Leibniz Center for European Economic Research (ZEW), and the "Official Firm Data for Germany (AfiD)" published by the Research Data Centre of the Federal Statistical Office.
- (25) Depending on availability, the required data is collected continuously or annually or every two years. The MIP and the AfiD have been set up in accordance with the German Data Protection Act and enable data access for scientific purposes. In terms of data access and data protection, the quality of the databases is also ensured by the fact that both are accredited by the Council for Social and Economic Data, and follow its criteria.
- (26) In addition, the evaluation will also use the data collected by the administrators of the funding, which will include characteristics of the beneficiaries and data relating to the project and available to the project managers such as the field of technology, project volume, amount of funding, and statements made by the aid recipient on incentive effects and technology readiness prior to and after the project, all of which are data collected as part of the standard application process and during project implementation. Most of these company-specific and project-specific data are gathered in the project funding information system.

2.5. Proposed timing of the evaluation, including the date of submission of intermediate reports and final evaluation report

- (27) The regular duration of projects under the specialist programme is 36 months. This means that, by the end of the evaluation, those R&D projects that started in the first half of 2021 after the adjustment of the scheme will not or will only just have been concluded.
- (28) Against this background, the evaluation plan suggests that the evaluation is designed to span a wide time frame, using insights from the already existing evaluation conducted by the German authorities on the previous programme and planned studies covering projects starting before the revised scheme (see recital (4) of the present decision). Furthermore, R&D projects that started in 2020 are also to be covered by the analysis, which will help improve the database and, ideally, also help study those effects of the funding that only materialise after a project has ended. It is true that the amended scheme was not in force at the time, but as the underlying funding concept has remained unchanged, the positive

aspects of including additional funding projects in the analysis should outweigh the negative.

- (29) The validity of the GBER ends under the present legal framework, pursuant to its Article 59, by 31 December 2023. Pursuant to Article 58 (4) GBER, exempted schemes may continue to be applied under the given legal situation during a transitional period of six months, i.e. until 30 June 2024. An evaluation of the effects of the scheme before mid-June 2022 is not possible. At the same time, the lawful application of the exempted large scheme beyond an initial period of application of six months is possible only subject to the approval of the notified evaluation plan in this decision, which takes into account a possible extension of the validity of the GBER.
- (30) The Commission notes the commitments made by the German authorities to conduct the evaluation according to the notified evaluation plan: a final evaluation report will be submitted by 30 June 2023, annual interim reports will be submitted to the Commission covering the progress of data collection, the opinion of the scientific advisory committee, and the state of implementation.
- (31) According to the German authorities, it is very likely that many of the impacts cannot yet be captured by the final evaluation due to the long time-lag of the interventions and insights of the evaluation might not be fully conclusive. The final evaluation will therefore also serve as a stepping stone to continue the scheme and its further evaluation beyond 2023. In case of non-conclusive insights or lack or robustness of evaluation insights, the BMWi is committed to continuing its evaluation efforts and submit an additional report by 2026.

2.6. Selection of an independent body to conduct the evaluation, or criteria for its selection

- (32) The entity, or entities, that will be responsible for carrying out the evaluation, will be selected in accordance with national and EU public procurement rules. The award of the contract to an evaluation body will be based on independence, experience and skills of the evaluator.
- (33) For the purpose of ensuring the quality and reliability of the evaluation, the entity (entities) selected will be functionally independent of the BMWi, which is responsible for the implementation of the specialist program "New Vehicle and System Technologies" (NFST).
- (34) The entities participating in the public procurement procedure must demonstrate their suitability and skills.
- (35) The successful candidate entity (entities) have to put together a suitable evaluation team with proven experience in the evaluation of public policies and specific skills in economic and statistical/econometric analysis.

2.7. Modalities for ensuring the publicity of the evaluation

- (36) The results of the evaluation of the aid scheme will be made public on the website of the BMWi. The evaluation reports will also be published (not later than within three months from their approval).

- (37) The evaluation results will serve as a solid background for designing future aid schemes at national and regional levels. The German authorities will use them to highlight potential improvements, and will consider them when developing similar aid measures or deciding on a prolongation of, or successor scheme to, the evaluated aid scheme.
- (38) Outreach activities will be conducted, for example by preparing and presenting the key results to the stakeholders and/or wider public. More specific technical results will be explained to a selected expert audience. Both evaluation and feedback received from interested stakeholders, e.g. through the workshops or interviews, are expected to give rise to useful suggestions and ideas for the optimisation of the R&D programme.
- (39) Personal or confidential data will be dealt with according to the relevant regulations. The published results of the evaluation will comply with provisions of the German statistical law and statistical secrecy.
- (40) Access to third-party data will be subject to the rules imposed by these third-party bodies. Data collected during the evaluation will be made accessible or the purpose of replicating results or for further studies.

3. ASSESSMENT OF THE NOTIFIED EVALUATION PLAN

- (41) The correct application of the GBER is the responsibility of the Member State. The present decision on the evaluation plan does not assess whether the aid scheme to be evaluated was put into effect by the Member State in full respect of all applicable provisions of the GBER. It does therefore neither create legitimate expectations regarding the lawfulness and compatibility of the scheme, nor does it prejudice the position the Commission might take regarding the conformity of the aid scheme with the GBER and its lawfulness and compatibility when monitoring it, or assessing complaints against individual aid granted under it.
- (42) Pursuant to Article 1(2)(a) GBER, certain large aid schemes⁵ within the meaning of Article 2(15) GBER, with an average annual State aid budget exceeding EUR 150 million, are subject to evaluation. The Commission notes that the annual average budget of the aid scheme concerned (i.e. EUR 170 million) exceeds the threshold of EUR 150 million laid down in Article 1(2)(a) GBER. Chapter I and section 4 (Article 25) of Chapter III of the GBER constitute the legal basis for the aid scheme to benefit from the exemption from notification provided for in Article 108(3) of the TFEU. However, in the absence of a positive Commission decision on the notifiable evaluation plan, pursuant to the provision in Article 1(2)(b) GBER, the exemption expires six months after the entry into force of the measure, and may continue to apply for a longer period only if the Commission decides to authorise this explicitly by the present decision.

⁵ Schemes under Sections 1 (with the exception of Article 15), 2, 3, 4, 7 (with the exception of Article 44), and 10 of Chapter III of this Regulation (Article 1(2)(a) GBER). ‘Aid scheme’ means any act on the basis of which, without further implementing measures being required, individual aid awards may be made to undertakings defined within the act in a general and abstract manner and any act on the basis of which aid which is not linked to a specific project may be granted to one or several undertakings for an indefinite period of time and/or for an indefinite amount (Article 2(15) GBER).

- (43) As the Commission explained in recital 8 of the GBER, the evaluation of large schemes is required "[I]n view of the greater potential impact of large schemes on trade and competition". The required "[E]valuation should aim at verifying whether the assumptions and conditions underlying the compatibility of the scheme have been achieved, as well as the effectiveness of the aid measure in light of its general and specific objectives and should provide indications on the impact of the scheme on competition and trade." State aid evaluation should in particular allow the direct incentive effect of the aid on the beneficiary to be assessed (i.e. whether the aid has caused the beneficiary to take a different course of action, and how significant the impact of the aid has been). It should also provide an indication of the general positive and negative effects of the aid scheme on the attainment of the desired policy objective and on competition and trade, and could examine the proportionality and appropriateness of the chosen aid instrument.⁶
- (44) In the light of these considerations, Article 2(16) of the GBER defines as evaluation plan "a document containing at least the following minimum elements: the objectives of the aid scheme to be evaluated, the evaluation questions, the result indicators, the envisaged methodology to conduct the evaluation, the data collection requirements, the proposed timing of the evaluation including the date of submission of the final evaluation report, the description of the independent body conducting the evaluation or the criteria that will be used for its selection and the modalities for ensuring the publicity of the evaluation."⁷
- (45) The Commission considers that, as described in section 2 of this decision, the notified evaluation plan contains these minimum elements outlined in Article 2(16) of the GBER.
- (46) The evaluation plan gives a concise description of the key objectives of the scheme concerned and provides sufficient information to understand the underlying "intervention logic". The scope of the evaluation is defined in an appropriate way.
- (47) The evaluation questions are designed in a way as to assess the direct effect of the scheme on the beneficiaries compared to non-beneficiaries in order to measure the incentive effect of the scheme. The evaluation questions addressing indirect effects are linked to the specificities of the aid scheme, both in terms of objectives and aid instruments.
- (48) The evaluation plan identifies and justifies result indicators that integrate the evaluation questions for the aid scheme concerned, and explains the data collection requirements and availabilities necessary in this context. The data sources to be used for the evaluation are described clearly and in detail.
- (49) The evaluation plan sets out and explains the main methods that will be used in order to identify the effects of the scheme, and discusses why these methods are likely to be appropriate for the scheme in question. The proposed evaluation methodology sufficiently allows identifying the likely causal impact of the scheme itself.

⁶ See Staff Working Document referred to in footnote 2 above.

⁷ Further guidance is given in the Staff Working Document referred to in footnote 2 above.

- (50) The proposed timeline of the evaluation is reasonable in view of the characteristics of the scheme concerned.
- (51) The proposed criteria for the selection of the evaluation body on the basis of an open tender meet the independence and skills criteria.
- (52) The proposed modalities for the publication of the evaluation results are appropriate and ensure transparency. In particular, the Commission takes note of the commitment to disseminate and make publicly available the results of the evaluation report.
- (53) In view of the above, the Commission considers that the evaluation plan meets all requirements laid down in the GBER, is established in line with the common methodology proposed in the Staff Working Document, and is suitable given the specificities of the large aid scheme to be evaluated.
- (54) The Commission notes the commitment made by the German authorities to conduct the evaluation according to the plan described in the present decision. The Commission notes the commitments made by the German authorities to conduct the evaluation according to the notified evaluation plan: a final evaluation report will be submitted by 30 June 2023, annual interim reports will be submitted to the Commission covering the progress of data collection, the opinion of the scientific advisory committee, and the state of implementation. In case of non-conclusive insights or lack or robustness of evaluation insights, the BMWi is committed to continuing its evaluation efforts and submit an additional evaluation report by 2026 (see recitals (30) and (31) of the present decision). The German authorities are invited to inform the Commission without delay of any element that might seriously compromise the full and timely implementation of the evaluation plan.
- (55) The Commission notes the commitment made by the German authorities to take into account the evaluation results for the design of any subsequent aid measure with a similar objective.
- (56) The Commission reminds that the application of the exempted scheme has to be suspended if the methodological report and the final evaluation report are not submitted in good time and sufficient quality.
- (57) Therefore, pursuant to Article 1(2)(a) of the GBER, the Commission decides that the GBER shall continue to apply to the aid scheme for which the evaluation plan was submitted, for a period exceeding the initial six months after the fiscal scheme at hand was applied for the first time, until the end of its validity, and as from the date of the notification of this decision to Germany.
- (58) The Commission reminds that alterations to the evaluated scheme, other than modifications which cannot affect the compatibility of the scheme under the GBER or cannot significantly affect the content of the approved evaluation plan, are, pursuant to Article 1(2)(b) of the GBER, excluded from the scope of the GBER, and must therefore be notified to the Commission.

4. CONCLUSION

(59) The Commission has accordingly decided:

- that the exemption of the national aid scheme for which the evaluation plan was submitted, shall continue to apply beyond the initial six-months period, until six months after the final date of applicability of Commission Regulation 651/2014 of 17 June 2014, as amended, which is laid down in its Article 59.
- to publish this decision on the Internet site of the Commission.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President